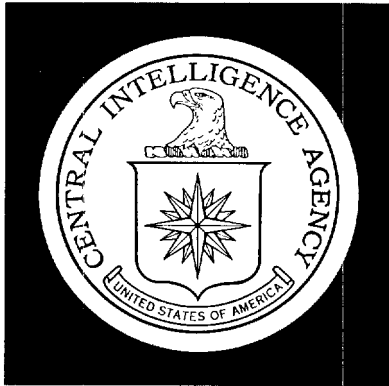


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SIERRA LEONE: Prime Minister Siaka Stevens apparently has shelved his controversial plan to substitute an executive presidency for the parliamentary system.

Instead of seeking elections to approve such a constitutional change, Stevens reportedly will propose to his party convention early next month that his government remain in office until the end of its term in 1972. The government would devote its primary attention to economic development and would de-emphasize political activity.

Stevens' current effort to secure a reconciliation with several former cabinet members who were jailed last fall for opposition to the plan also suggests that he may have decided to set the proposal aside. These men had charged publicly that an executive presidency would lead to one-man rule, so any reconciliation is likely to require at least a temporary retreat by Stevens on this issue.

Stevens' reasons for apparently backing off are unclear. Although his action against his opponents last fall, which included the proclamation of a state of emergency, was endorsed by parliament, Stevens is probably reluctant to call elections while his party remains so seriously split. He may also fear that elections at this time could trigger disorders that would be difficult to control. The Sierra Leone security forces are in their usual state of disarray. An army warrant officer is now on trial for plotting a coup, and the need to suppress disorders during an electoral campaign would almost certainly impair the army's already shaky discipline.

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THAILAND: Foreign Minister Thanat is continuing to promote the idea that Thailand must improve relations with Communist countries.

In a number of year-end foreign policy reviews with Bangkok's press corps, Thanat reaffirmed his desire for better relations with Communist China and North Vietnam. For the first time, he publicly interpreted North Vietnam's dispatch of a refugee repatriation delegation to Bangkok as a favorable new development in Hanoi's foreign policy, and he described Thailand's acceptance of the delegation as a "sign of our goodwill."

Thanat's statements on improving relations with the Communists have been accompanied by what have become standard expressions of misgivings about the steadfastness of the US commitment to Thailand and the possibility that influential circles in the US will thwart the proper implementation of the Nixon Doctrine. He told the press, for example, that there had been some deterioration in US-Thai relations over the past year, implying that the fault lay with Washington.

Although Thanat undoubtedly views an adjustment in Thai foreign policy as long overdue--in fact, he has been publicly pushing for changes for well over two years--some of his statements are probably calculated to give Bangkok additional leverage with the US. He recognizes that Thailand has no viable alternative to dependence on the US for its security, as long as it is incapable of defending its territory with its own resources and as long as there is a credible Communist threat. There is also a continuing question of how much support Thanat can command from the military leadership for important changes in the country's foreign policy. [REDACTED]

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BELGIUM: The government's adoption of a tax on value-added (TVA) effective 1 January is a further step toward tax harmonization in the European Community, but it may lead to some aggravation of domestic inflationary pressures.

This is Belgium's first basic tax reform in 50 years, and it is expected to increase consumer prices by at least two percent on average. In order to reduce its inflationary potential, the government delayed the effective date by one year to 1 January 1971 and scaled down the rates. Measures also have been taken to restrain sellers from increasing profit margins under the guise of tax adjustment during the changeover period.

Furthermore, to avoid a shortfall in tax revenues for 1971, a year when expenditures are expected to rise at a brisk 10-to-12 percent, the government has advanced the TVA payment schedule. Businesses will be required to prepay their estimated TVA liabilities monthly beginning in early January. To assure adequate government receipts, exports will be only partially exempted from TVA in 1971, and investment spending will be exempted gradually, receiving full exemption after 1974.

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NOTE

CONGO (KINSHASA) - ANGOLA: President Mobutu has decided to cut the Kinshasa government's monthly subsidy to the Angolan Revolutionary Government in Exile (GRAE) in half--from \$20,000 to \$10,000. Although GRAE leader Holden Roberto hopes to persuade Mobutu to reverse the decision, it conforms with Mobutu's strategy since early 1969 of restraining GRAE guerrilla operations while quietly renewing and strengthening his working relations with Portuguese authorities in Angola.

Roberto depends heavily on Mobutu for financial support, and a cut of this magnitude could sharply reduce GRAE arms purchases and thus curtail projected GRAE operations into Angola. Mobutu, on the other hand, can use his continued public sponsorship of GRAE--the more moderate of the two major Angolan guerrilla groups--to deflect criticism from African militants for his increasingly visible collaboration with the Portuguese.

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